

Great Relief for Filing Appeal under GST – Reduction in Pre-deposit for Penalty-only Cases

1. Background

Under the Goods and Services Tax (GST) law, the right to appeal is conditional upon pre-deposit of a specified percentage of the disputed tax or penalty. Earlier, this requirement was considered stringent, especially for small taxpayers and individuals upon whom only a **penalty** was imposed without any tax demand. Recognising this hardship, the **GST Council in its 55th Meeting held on 21 December 2024** recommended a major relief measure by reducing the pre-deposit percentage for such cases.

2. Position Prior to 01.10.2025

Section 107(6) – Appeal before Appellate Authority

(6) No appeal shall be filed under sub-section (1) unless the appellant has paid:

(a) xxxxxxxxxxxxxxxx

(b) xxxxxxxxxxxxxxxx

Provided that no appeal shall be filed against an order under sub-section (3) of section 129 unless a sum equal to twenty-five percent of the penalty has been paid by the appellant.

Thus, for filing an appeal before the **Appellate Authority** in cases involving penalty under section 129(3), **25% of the penalty amount** was required as pre-deposit.

Section 112(8)(b) – Appeal before Appellate Tribunal

(8) No appeal shall be filed under sub-section (1) unless the appellant has paid:

(a) xxxxxxxxxxxxxxxx

(b) a sum equal to twenty percent of the remaining amount of tax in dispute, in addition to the amount paid under sub-section (6) of section 107, arising from the said order, subject to a maximum of fifty crore rupees.

It was observed that there was **no specific provision** for cases involving *only penalty without tax demand* before the Tribunal.

3. GST Council's Recommendation

The **GST Council**, in its 55th Meeting on 21 December 2024, considered the practical hardship faced by taxpayers and individuals subjected solely to penalty. Accordingly, the Council **recommended** that:

- The **proviso to section 107(6)** be **amended** to reduce the pre-deposit requirement from **25% to 10%** for appeals involving **only penalty** (no tax demand).
 - A **new proviso** be **inserted in section 112(8)**, prescribing a **10% pre-deposit** for filing appeals before the Appellate Tribunal in such penalty-only cases.
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4. Implementation through Finance Act, 2025

Accepting the GST Council's recommendation, the **Central Government** carried out amendments through the **Finance Act, 2025** as under:

Section	Amendment Made By	Description
Section 107(6)	Section 129 of Finance Act, 2025	Amendment of proviso reducing pre-deposit from 25% to 10% in penalty-only cases
Section 112(8)	Section 130 of Finance Act, 2025	Insertion of new proviso prescribing 10% pre-deposit for Tribunal appeals in penalty-only cases

These amendments were **brought into force from 01.10.2025** vide **Notification No. 16/2025-CT dated 17.09.2025** [F. No. CBIC-20001/2/2025-GST], issued under **clause (b) of sub-section (2) of section 1 of the Finance Act, 2025 (7 of 2025)**.

5. Position with Effect from 01.10.2025

(a) Section 107(6) – Revised Proviso

Provided that in case of any order demanding penalty without involving demand of any tax, no appeal shall be filed against such order unless a sum equal to ten percent of the said penalty has been paid by the appellant.

Hence, the **pre-deposit reduced from 25% to 10%** of penalty for filing appeal before the **Appellate Authority**.

(b) Section 112(8) – Newly Inserted Proviso

Provided that in case of any order demanding penalty without involving demand of any tax, no appeal shall be filed against such order unless a sum equal to ten percent of the said penalty, in addition to the amount payable under the proviso to sub-section (6) of section 107, has been paid by the appellant.

Thus, for **appeals before the Appellate Tribunal**, the appellant must pay **an additional 10% of the penalty** (over and above the 10% already paid at the first-appeal stage).

6. Effect of the Amendment

Stage of Appeal	Pre-deposit prior to 01.10.2025	Pre-deposit w.e.f. 01.10.2025	Type of Case
Before Appellate Authority (Sec. 107)	25% of penalty	10% of penalty	Penalty-only cases
Before Appellate Tribunal (Sec. 112)	Not specifically provided	Additional 10% of penalty	Penalty-only cases

7. Conclusion

This amendment provides **substantial relief** to taxpayers and individuals who are subjected only to **penalty orders** without any corresponding **tax demand**. It aligns with the principles of proportionality and ensures that the right to appeal is not rendered illusory by **onerous pre-deposit requirements**. The change, effective from **01 October 2025**, demonstrates the Government's responsiveness to GST Council recommendations and taxpayer difficulties.